

Mr. REID. Madam President, has my friend reviewed the text of the book, "The Price of Loyalty"?

Mr. DURBIN. I read this book.

Mr. REID. The Senator does recall in that book where Vice President CHENEY, when Paul O'Neill said we should take a look at these deficits that are building up, and does the Senator recall—this is almost a direct quote—Vice President CHENEY interrupting the meeting and saying: President Reagan proved deficits don't matter?

Can the Senator from Illinois comment on that statement, "deficits don't matter"?

Mr. DURBIN. I remember it. In addition to some other comments in the book, it was the most graphic illustration that this administration is insensitive to the deficits and debt they are creating.

I also recall in that same book Paul O'Neill, then-Secretary of the Treasury, was recommending to the Bush administration to put triggers in the tax cuts so that if the surplus disappeared, then the tax cuts would not continue and drag us even deeper into debt. That was rejected by Larry Lindsey, the former head of the Council of Economic Advisers, the predecessor to the man who came up with this delightful equation that says losing jobs overseas is good for America.

What we have had is a wonderful parade of economic extremists in the White House who advised this administration into the current mess with our budget and with our economy.

Mr. REID. Is that the same Larry Lindsey who was fired because he said the war in Iraq would cost more than \$100 billion?

Mr. DURBIN. That is right, he misspoke and, as a result, he was returned to the private sector. Now we see his predecessor, Mr. Mankiw, who now has misspoken, but we have his report. President Bush sent his report to Congress and he said outsourcing American jobs is good for America. I am sure we are going to hear a correction before the Sun goes down in Washington today.

The PRESIDING OFFICER. The Senator from Texas.

ORDER OF BUSINESS

Mrs. HUTCHISON. Madam President, has the Democratic side used all their time in morning business?

The PRESIDING OFFICER. They have 20 seconds remaining.

Mr. REID. We will be happy to donate that to the Senator from Texas.

Mrs. HUTCHISON. How generous. I thank the assistant Democratic leader very much.

Madam President, how much time do we have? Was it 30 minutes on the other side, or did they have some other time?

The PRESIDING OFFICER. There are 30 minutes remaining on the majority side.

Mrs. HUTCHISON. Thirty minutes and twenty seconds, Madam President.

The PRESIDING OFFICER. Correct.

Mrs. HUTCHISON. Madam President, I will ask the distinguished Senator from Colorado to allocate our time. There will be another speaker coming, but I would like to yield to the Senator from Colorado this 30 minutes 20 seconds.

The PRESIDING OFFICER. The Senator from Colorado.

Mr. ALLARD. I thank the Chair.

THE ECONOMY

Mr. ALLARD. Madam President, I wish to talk about the economy. We can sure tell this is an election year. The false rhetoric that is going on about the economy is amazing. The fact is, the economy is recovering and our tax cuts have made a significant difference in the fact our economy is recovering.

I heard the previous speaker on the floor talk about the jobs we are losing, but this President and this Republican Congress inherited an economy that was going in the dumps when he went into office.

It was headed downhill. The stock market had been down for 9 months and the recession was just beginning when he was taking his oath of office, so one cannot blame this President for what has happened in the economy. We need to look back at what happened during the Clinton administration. We had one of the highest tax increases in the history of this country. Everybody who follows the economy knows it takes a while for tax policy to take effect. What has happened under the Bush Presidency, with a Republican Congress, is we put some tax cuts in place to get the economy recovered. It has worked. Now it did not start working immediately, but after a year or two we began to see the results. We are seeing the results today.

The Members of the Senate who come to this floor and say we ought to raise taxes, that will do nothing more than destroy the economic recovery process we see taking place right now.

I have a report from the Joint Economic Committee. The chairman of that committee happens to be Senator BENNETT. It is made up equally of Members of each party from the Senate. There are five Republicans and five Democrats on the Joint Economic Committee. They have published a rather promising report. It is time we take a look at what they say about the economy. There should not be any doubt that the economy is recovering and a lot of it has been done due to the tax cuts. We should not allow a tax increase to occur that would destroy this economic growth.

They report the economy is strong and there is sustainable growth going on. The recovery continues at a strong pace. Payrolls increased by over 112,000 jobs in January as activity in the manufacturing and services industries accelerated. Last year closed with the economy growing at a 4 percent annual

rate and productivity growing at a 2.7 percent annual rate, well above the long-run averages. Despite all of this, inflation remains benign. It is not growing, allowing the Federal Reserve to maintain short-term interest rates at historical lows. Recent tax relief continues to benefit consumers and businesses. Forecasters see continued robust growth, low inflation, and accelerated job gains throughout this year. That is pretty good news.

The payroll employment increase of 112,000 jobs in January was the largest monthly gain since the year 2000. The unemployment rate fell to 5.6 percent. I remember when I took economics in college in the 1960s. Five percent was considered full employment. We were spoiled a little bit and it was definitely an aberration, as a lot of economists described it, when we got down to 4 percent, but 5 percent is still considered a full employment figure. The unemployment rate fell to 5.6 percent in January, well below its recent peak of 6.3 percent last June. Five straight months of job gains have now added 366,000 jobs to U.S. payrolls.

5.6 percent is good news. The economy grew at a robust 4 percent annual rate in the fourth quarter of 2003. Forecasters see continued growth of around 4 percent throughout this year. Productivity—this is output per hour of labor—grew at a 2.7 percent pace in the fourth quarter, above historical averages. I continue to believe the workers in this country are the best educated, the best motivated, and nowhere in the world is their productivity exceeded. They are the ultimate. I think we should be proud of that and recognize it is all that individual effort that makes a difference and what keeps this economic engine growing.

The Federal Reserve has kept short-term interest rates unchanged at 1 percent, which is good for individuals who want to buy homes, for example. The administration worked with me to pass legislation called the American Dream Down Payment Act to get people into homes. I see now they are reporting that home ownership is at an historic high. It has never been higher in the history of this country than what we are seeing today as far as homeownership. That legislation, working with the administration, is the type of effort that is making the difference.

The household survey, used to calculate the unemployment rate, showed employment gains of almost 500,000 in January. The gap between the household and the payroll measures of employment continues to widen, confirming initial labor market improvements and continuing jobless claims for unemployment insurance benefits are trending downward.

I like to rely on the household survey because I think the household survey tells us something the payroll survey does not. What it tells me is a lot of our Americans are saying, look, now is the time for me to start my own business. When they start their own business they start out small so that means

they start out of their home, they contract to do their labor. Then as demand grows for their service they begin to expand out from there. The household survey reflects that.

We have seen tremendous growth in the household survey. The payroll wage survey misses that particular parameter. That has been good news for some time, and the Joint Economic Committee has shown evidence this continues to grow. This is the small business sector of this country. It is the small business sector where one sees economic growth happen because this is where new ideas develop. This is where small companies have an opportunity to grow into larger companies like we have seen many of our high-tech companies do.

Last night I had dinner with a number of executives from high-tech companies, and they are bullish on our economy. They think things are doing pretty well. They told us, well, maybe there have been a few jobs that have gone overseas, but nearly all of our jobs are growing in America. This is where our job growth is happening.

Again, this is a political year and a lot of this false negative rhetoric is not telling the full story, and that is what I want to get across this morning. The economy is recovering and that is due to our tax cuts. Gross domestic product and productivity have grown at a very strong and sustainable rate. Real gross domestic product, often referred to as the GDP, grew at a solid 4 percent annual rate in the fourth quarter, following the third quarter's remarkable 8.2 percent rate. Amazing, the third quarter of last year had a 8.2 percent growth rate.

In the second half of 2003, the economy grew at the fastest 6-month pace in almost 20 years. Over 2003, as a whole, gross domestic product grew at a robust average of 4.3 percent. By way of comparison, the economy grew at an average of 3.7 percent during the expansion of the 1990s. Even when we had unprecedented economic growth in the 1990s, it was only 3.7 percent. We saw a much higher growth rate last year. Productivity also advanced, growing at a 2.7 percent annual rate in the fourth quarter, and in excess of 4 percent for the second consecutive year, well above historical averages.

Forecasters believe the gross domestic growth will be sustained at around 4 percent throughout this year. That is all good news. Our tax cuts are working.

Let's look at business activity. Business activity continues to strengthen. Increases in average weekly hours of work and moderation of job losses in manufacturing indicate rising activity. Confirming this trend, the Institute for Supply Management manufacturing index has risen since May to its highest value since 1983. The ISM services index has also been rising and, in January, was the highest in its history. Index value over 50 means the relevant sector is expanding. Current values of

well above 60 indicate vigorous expansion in manufacturing and service.

The economy is recovering and our cutting taxes is making the difference. Consumer confidence and spending grew. The University of Michigan's consumer sentiment index rose in January to its highest value since 2000. The Confidence Board's index rose to the highest in 18 months.

After tax income also continues to grow, boosted by tax cuts. Most Americans, after filing their taxes, are going to get more money back from the Government than they have in previous years. Improved sentiment and incomes have boosted consumer spending, which grew at a 2.6-percent annual pace in the fourth quarter after hearty spending in the third quarter. After tax incomes will improve further as taxpayers receive higher refunds.

What does it look like as far as the Fed? They are holding monetary policy steady. It is unchanged. This means they kept short-term interest rates at the five-decade low of 1 percent but changed their policy statement to set up flexibility to raise rates if they see signs of inflation. So they are prepared to act if we start to move into an inflationary cycle. Many measures of inflation are at their lowest since the 1960s, a key reason the Fed has accommodated strong growth without raising rates.

I continue to point to the housing market where we had huge amounts of growth in home ownership because interest rates are low. All of a sudden, individuals who could not make a downpayment on a home found that, by gosh, with the interest rates down, it is easier for them to come up with the payment. It means their monthly payment will be less because interest rates are lower. Home ownership is good for the economy. It creates jobs.

The housing market remains robust. Remarkably strong home sales have boosted the home ownership rate to a new high, and that new high is 68.5 percent. Many signs point to more strength in housing in the near term. Mortgage applications have increased again on a renewed dip in mortgage rates.

Housing starts rose in December to the highest rate in about 20 years and permits for home construction were up for the fourth quarter. This is all good news. The economy is recovering. It has been due to those tax cuts that we implemented earlier in the President's term.

Ministers from major industrial countries met last weekend to discuss currency issues, including the dollar's recent decline and China's dollar peg. The dollar fell 10 percent against Japan's yen and 17 percent against the euro last year, making U.S. exports less costly in world markets and imports more costly. Ministers again called for flexible, "orderly" exchange rates.

This is all good news. I recall at the first of last year and in 2002 manufac-

turers were coming to me and complaining about their inability to compete in the international markets because the value of the dollar was so much higher than what it had been historically. Those of you who are listening understand, when the value of the dollar is low, it means the cost of your goods and services are much higher and it is harder for you to be competitive against the yen or euro, for example. Now that is changing. The value of the dollar has dropped down so this means our manufactured goods are going to be able to compete overseas against those products that are already provided.

I feel good about what we can look forward to. I am disappointed that we have to resort to all this negative rhetoric because we are in a campaign. I have shared with my colleagues here, and the American people, some real facts about what is happening in the economy. I don't think anybody, when they look at these facts, can disagree that our economy is in a state of recovery. Obviously, you can take the facts and pull them over two decades and you can distort them and try to make the President look bad as far as the economy is concerned.

But the fact is, President Bush has had a strong growth policy for the economy, and it is working. It included cutting taxes and holding the growth in interest rates down, working with the Fed. Economic indicators have shown positive growth and the economy is going to continue to do that.

I cannot understand why the opposition party has decided they are going to make the economy their issue. It is a losing issue because the economy is recovering. The American people are beginning to realize that. My State, for example, is a diverse State. We don't like to put all our eggs in one basket, so we have manufacturing, we have tourism, in the State of Colorado we have agriculture, we have natural resources, high technology, telecommunications and research and development. We realize things need to be done to encourage that, something we need to encourage throughout the country, to make sure we stay competitive. And that is education. The company executives I met with last night said, yes, education is important. We need to be sure that we have our workforce, our citizens, well educated.

The President has pushed to improve education. No Child Left Behind is certainly a sincere effort to try to improve our educational system. I happen to think it is going to work.

We are improving our educational system. The economic figures are looking good. We should all be positive about the outlook, as far as America is concerned.

I am proud to be American. I am proud of my small business roots. I had an opportunity to start a business from scratch as a veterinarian and I worked hard to see that grow. It gave me an opportunity to contribute to my community as a small businessman, and to

provide an opportunity for my children to get an education. They got their education. Now they are raising their families. I want to see my grandchildren have the same future that I have enjoyed, and my children have enjoyed.

I think what the President is doing to hold down taxes creates lots of opportunity for young people to get their own business started. That is the strength of America, our small business sector. That is where innovation starts and that is where growth begins.

Madam President, I am curious to know how much time we have left on this side.

The PRESIDING OFFICER. The Senator has 11 minutes 56 seconds.

Mr. ALLARD. I want to talk a little bit more about the housing issue. As our economy was going through an unprecedented decline, we saw housing stay up. That was the one part of our economy that actually sustained us.

It was a pleasure for me to be able to work with the President on the American Dream Downpayment Act, to allow for young people in all areas of the country to begin to be able to make that downpayment on that first home.

In studying what was happening in the last several years, even though we had dropped interest rates and it was easier to qualify for loans, there were a lot of people who should have but did not own their own homes. Historically the barrier was that downpayment. So the American Dream Downpayment Act provides a way for families who run up to this barrier, where they look at their rental rates they are paying that are exactly the same as what their mortgage payment would be, this provides them an opportunity to get past this downpayment barrier in order to own a home.

It is working. It is going to work. As it moves forward—it is just getting started—it is going to do even more to create home ownership.

I am proud of this President. I am proud of his economic policies. I am proud to be able to work with him in a partnership in cutting taxes and encouraging the economy to grow.

As a small businessman, I know how that works. If anything affects a job, or growth, it is when taxes get too high and rules and regulations take over your business. As a small businessman, I have had to suffer through down economies. I have had to lay people off because our small business was not doing very well because of a down economy. It is not fun.

But we always recovered and after we recovered we were more productive and we were more efficient and we generally provided a better service. I think that has happened in this country. I think a lot of companies have taken the downturn and streamlined their operations, improved their services.

The bottom line is that we are going to have more jobs in this country. Our economy is going to continue to grow.

The bottom line is the consumers in this country are going to be better served.

This President has done the right thing for America. It is unfortunate that, in an election year such as this, the political rhetoric gets so negative because it really does not reflect what has been going on. To repeat, unemployment rates have dropped to 5.6 percent. The gross domestic product is growing at phenomenal rates. Job growth is happening. It is occurring today.

Other countries have looked at what we have done in America to create jobs, and they are updating.

Competition is going to be tough in the international market, and we need to be prepared to compete. Trade restrictions is not the way to do it. We historically have been able to compete throughout the international community without trade restrictions. In fact, the trade agreements we pass actually make it possible for the United States to cut down the trade tariffs that are applied against American products.

One of the things that gets thrown out here is the trade deficit. The trade deficit has been the worst in this country during the Depression and during the recession we had at the end of the Carter years in the 1970s. When our economy goes down, trade deficits get better. When our economy goes up, trade deficits change because consumers are buying more goods. When you have them buying more goods, it creates more jobs. I don't see where the trade issue is one that really reflects what is happening in the economy.

I shared these issues with you this morning because that is really what is happening in the economy. Employment is rising, unemployment rates continue to fall, gross domestic product and productivity continue to grow strong and at a sustainable rate, business activity continues to strengthen, consumer confidence and spending grows, the Fed is holding interests rates at a steady 1 percent, and the housing market looks really good. It has been good for a while and continues to look good. When you compare the dollar to the yen or to the euro, its value is going down, which is good for exports. It is good for business. It means we will be able to move our products overseas. I think it looks good.

I am proud of this President. He has the right solution, and it is working.

I yield the floor.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, morning business is closed.

SAFE, ACCOUNTABLE, FLEXIBLE, AND EFFICIENT TRANSPORTATION EQUITY ACT OF 2003

The PRESIDING OFFICER. Under the previous order, the Senate will re-

sume consideration of S. 1072, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 1072) to authorize funds for Federal-aid highways, highway safety programs and transit programs, and for other purposes.

Pending:

Inhofe amendment No. 2285, in the nature of a substitute.

Warner modified amendment No. 2286 (to amendment No. 2285), to provide a highway safety improvement program that includes incentives to States to enact primary safety belt laws.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. ALLEN. Madam President, I commend the Senator from Colorado, Mr. ALLARD, for his remarks on the economy. I want to get into the pending amendment. At that point, I hope the managers will allow me to continue and talk about this seatbelt amendment.

I commend my colleague from Colorado, Senator ALLARD, for his comments. Tax cuts are working because individuals, families, and small businesses have greater freedom. They are investing. More jobs are being created, and there is more economic activity which makes our country more competitive.

Our tax laws and regulatory policies—and any policy we have in this country—needs to ensure that there is more investment and more jobs in America. We ought not ruin opportunities for businesses to provide their employees with broad-based stock options. The People's Republic of China has technology companies that promote themselves because they have stock options for their employees. I hope in America we would not deny that opportunity. Internet taxes matter. We need not be imposing higher taxes on access to the Internet, particularly broadband. Energy is important. We need to have energy sufficiency and reliance, domestic production of natural gas or clean coal or oil, as well as advancements in new technology. And this highway bill is a part of that, it is also for infrastructure, jobs, and the movement of people to and from work with less congestion. I hope we will get to it.

In the midst of this, we have an amendment. I have a tremendous amount of admiration and respect for my colleague, the senior Senator from Virginia, Mr. WARNER. His service to Virginia and to our Nation makes him a true American hero, in my view, and a great patriot. It is an honor to serve and partner with him.

However, I am compelled to voice my opposition to an amendment that Senator HILLARY CLINTON and he have proposed to the underlying highway bill. The amendment that is before us, while certainly well-intentioned, should not, in my view, be the purview of this body or the Federal Government. The proponents argue that it is a good idea to wear seatbelts. In most cases, that is